

Tier Descriptions

The Tippecanoe County Assessor's Office tasked Don R. Schiedt & Co., Inc. with researching expense data for multi-family rentals in the immediate Purdue University campus area. It was ultimately decided that the majority of properties more or less fell into one of the four following groups, or Tiers. This is not to say all properties fit neatly into one of the four Tiers. For example, West Lafayette is now home to a few new high-rise apartment buildings, that share similarities to the properties in Tier 1B, so they were considered part of that tier as that seemed the best fit. In the case of properties that shared characteristics of more than one Tier, the income modeling inputs were custom adjusted to best reflect the actual property being assessed.

The following gives shows the commonalities of each tier, and the minimum, maximum, and average additional income, expenses, and capitalization rates of each tier. For the sake of brevity, the Advertising, Administrative and Miscellaneous, Payroll, and Management expenses have all been condensed under the term MGMT. Additionally, Taxes are not included as an allowed expense for the sake of assessment. Instead, the cap rate is loaded with the tax rate during the income modeling process. The majority of the properties in this property group have a tax rate of 2.37% applied.

Tier 1B

- General Description: High-end, non-high rise complexes
- Typical Year Built: 2010s to present
- Typical Number of Stories: 3 to 6
- Typical Number of Units: 50 or more
- Typical Amenities: Study rooms, garage parking, some with fitness centers
- Retail or Office Component: Some do depending on location
- Examples: Hi ViNE, North by Northwest, Crossing at Chauncey Hill, Muinzer Target building, South Street Station, Grant Street Station, Fuse, Cypress on Columbia

Tier 1B	% of EGI		
	Min	Max	Avg
Additional Income	0.00%	13.70%	4.60%
Insurance	0.80%	4.00%	2.00%
Maintenance	1.20%	15.60%	6.60%
Utilities	3.30%	15.10%	7.60%
Combined MGMT/Payroll/Etc	3.90%	32.80%	16.50%
Total Expenses	16.80%	56.10%	32.60%
Cap Rate	2.50%	5.97%	4.58%
Market Cap Rate Norm	4.50%	4.75%	4.63%
Replacement Reserves			1.25%

Tier 2

- General Description: Slightly dated but mostly functional complexes
- Typical Year Built: 1990s to 2000s

- Typical Number of Stories: 2-4
- Typical Number of Units: 20 to 50
- Typical Amenities: Some with garage parking, few with other amenities such as fitness centers and study rooms
- Retail or Office Component: Some do depending on location
- Examples: State Street Towers, Village Center, Linwood Apartments, Salisbury Place, State Street Commons

Tier 2	% of EGI		
	Min	Max	Avg
Additional Income	0.00%	10.70%	4.00%
Insurance	1.00%	4.50%	3.00%
Maintenance	4.10%	36.30%	11.30%
Utilities	2.90%	13.50%	6.70%
Combined MGMT/Payroll/Etc	4.30%	26.60%	10.20%
Total Expenses	23.10%	50.30%	31.20%
Cap Rate	4.91%	5.92%	5.33%
Market Cap Rate Norm	5.00%	5.25%	5.13%
Replacement Reserves			1.50%

Tier 3

- General Description: Dated, functionally deficient complexes
- Typical Year Built: 1980s to 1990s
- Typical Number of Stories: 2-3
- Typical Number of Units: 10 to 30
- Typical Amenities: None
- Retail or Office Component: No
- Examples: Southfork Apartments, Stratford II, Morningside, Chauncey Ridge, Waterford Place, Columbia Pointe

Tier 3	% of EGI		
	Min	Max	Avg
Additional Income	1.00%	11.30%	4.80%
Insurance	1.40%	5.80%	3.10%
Maintenance	2.20%	20.50%	9.30%
Utilities	2.00%	7.00%	5.20%
Combined MGMT/Payroll/Etc	2.30%	26.30%	11.10%
Total Expenses	17.00%	42.70%	28.60%
Cap Rate	4.82%	5.60%	5.31%
Market Cap Rate Norm	5.25%	5.50%	5.38%
Replacement Reserves			2.00%

Tier 4

- General Description: Older converted multi-unit rentals
- Typical Year Built: Early 1900s
- Typical Number of Stories: 2
- Typical Number of Units: 2-10
- Typical Amenities: None
- Retail or Office Component: No
- Examples: 427 N Chauncey Avenue, 214 Pierce Street, 207 W Fowler Avenue

Tier 4	% of EGI		
	Min	Max	Avg
Additional Income	0.00%	7.70%	3.20%
Insurance	2.00%	14.90%	4.10%
Maintenance	-0.80%	21.50%	7.20%
Utilities	0.20%	11.30%	3.70%
Combined MGMT/Payroll/Etc	0.00%	23.20%	4.90%
Total Expenses	4.50%	57.70%	19.90%
Cap Rate	4.82%	8.50%	6.80%
Market Cap Rate Norm	6.25%	6.50%	6.38%
Replacement Reserves			2.50%